

## Message Text

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67

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 FPC-01 SCI-06

IO-14 FEA-02 INT-08 DRC-01 STR-08 AGR-20 /220 W

----- 051746

R 221955Z JAN 74

FM AMEMBASSY PORT OF SPAIN

TO SECSTATE WASHDC 5980

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY CARACAS

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

LIMITED OFFICIAL USE PORT OF SPAIN 0185

E.O. 11652: N/A

TAGS: ENRG, EFIN, PINT, TD

SUBJECT: COMMENTS ON THE 1974 BUDGET SPEECH

REF: POS 0175

1. INITIAL REACTION TO THE GOTT'S 1974 BUDGET SUBMISSION  
(REFTEL) HAS CONCENTRATED UPON TAX RELIEF MEASURES AND STEPS  
TAKEN TO AVOID OR MINIMIZE PRICE INCREASES ON BASIC  
COMMODITIES, BOTH OF WHICH OF COURSE HAVE BEEN WELCOMED WITH  
A LARGE SIGH OF RELIEF. DESCRIBED AS A "PEOPLE'S BUDGET",  
THE PROPOSALS COINCIDE WITH THE LONG-HELD GENERAL BELIEF THAT  
THE INTERNATIONAL OIL COMPANIES OPERATING IN TRINIDAD SHOULD  
PROVIDE A FAR HIGHER PROPORTION OF GENERAL GOVERNMENT REVENUES.  
NO PUBLIC REACTION HAS YET COME FROM ANY OF THE OIL COMPANIES,  
WHO NOW FACE DRASTICALLY REVISED TAX REGULATIONS. ON THE  
EXPENDITURE SIDE, THE BUDGET APPEARS TO INCLUDE "SOMETHING FOR  
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EVERYONE", AND IT SHOULD DEFLATE--FOR THE TIME BEING, AT LEAST--

OPPOSITION CRITICISM OF WILLIAMS' GOVERNMENT.

2. THE BUDGET PROPOSALS ARE A POLITICALLY ASTUTE COMBINATION OF POPULAR TAX AND PRICE RELIEF MEASURES, TOGETHER WITH A TENTATIVE OUTLINE OF OIL REVENUE UTILIZATION PLANS WHICH CAN LATER BE ADAPTED IF FORECASTS OF REVENUE FROM THIS SOURCE PROVE WRONG. THE TAX REFERENCE PRICES, THE THROUGHPUT TAX AND THE OTHER OIL TAX MEASURES SEEM TO HAVE BEEN ANNOUNCED WITHOUT MUCH ADVANCE NOTICE TO THE COMPANIES CONCERNED; AT LEAST ONE (AMOCO) INDICATED COMPLETE SURPRISE, ALTHOUGH IT SEEMS LIKELY THAT CONSULTATIONS OF SOME SORT WERE HELD WITH THE COUNTRY'S LARGEST REFINER (TEXACO). ALTHOUGH NO DETAILED ESTIMATE OF INCREASED OIL REVENUES HAS BEEN RELEASED, IT APPEARS THAT THE GOTT IS COUNTING ON ABOUT \$200 MILLION IN ADDITIONAL FUNDS FROM THIS SOURCE, WITH THE PROBABILITY THAT A SUPPLEMENTAL BUDGET WILL BE SUBMITTED LATER THIS YEAR TO DEAL WITH THE PRECISE AMOUNTS INVOLVED.

3. ON ECONOMIC GROUNDS, THE GOTT HAS DONE ITS BEST TO MINIMIZE THE INFLATIONARY EFFECTS OF THIS WINDFALL REVENUE, WITH A LARGE PART DESTINED TO LONG-TERM DEVELOPMENT PROJECTS IN PETROLEUM-RELATED FIELDS. EFFORTS AT CONTROLLING PRICE INFLATION THROUGH GOVERNMENT SUBSIDIES, HOWEVER, ARE LIKELY TO BE ONLY PARTIALLY SUCCESSFUL. THIS IS DUE TO TRINIDAD'S HIGH PROPENSITY TO IMPORT, WHICH MEANS THAT DISPOSABLE INCOME TENDS TO BE SPENT UPON FOREIGN GOODS ANYWAY, ALL OF WHICH THAT ARE NOT PRICE-CONTROLLED WILL BE SUBJECT TO PRICE INCREASES IN PRODUCER NATIONS. LIKEWISE, IT CAN BE ARGUED THAT PRICE SUBSIDIES FOR BASIC COMMODITIES COULD BE COUNTER-PRODUCTIVE TO THE AGRICULTURAL DEVELOPMENT PROGRAM, SINCE IT IS LIKELY TO LOCK THE GOTT INTO A SYSTEM OF SUBSIDIZING BOTH THE CONSUMER AND THE PRODUCER.

4. IN THE LONG RUN, HOWEVER, THE NEW BUDGET MUST BE JUDGED BY ITS SUCCESS IN NUDGING TRINIDAD TOWARD RESTRUCTURING ITS ECONOMY TO PROVIDE OPPORTUNITIES FOR PROLONGED REAL ECONOMIC GROWTH AND A MEANINGFUL REDISTRIBUTION OF INCOME. THE PETROLEUM DEVELOPMENT FUND IS A POSITIVE STEP IN THIS DIRECTION, ALTHOUGH IT WILL TAKE SEVERAL YEARS FOR NEW ENERGY-RELATED INDUSTRIES TO BE ESTABLISHED. INCOME REDISTRIBUTION IS MORE PROBLEMATIC, AND LIKELY TO DEPEND HEAVILY LIMITED OFFICIAL USE

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UPON THE GOTT'S CONTINUED RECEIPT OF SUBSTANTIAL PETROLEUM REVENUE TOGETHER WITH A FIRM POLICY TO ENSURE THAT THE POOREST PEOPLE RECEIVE THE BULK OF THE BENEFITS.

5. AIRGRAM FOLLOWS WITH A MORE DETAILED DESCRIPTION AND ANALYSIS OF THE NEW BUDGET.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC GROWTH, PETROLEUM INDUSTRY, GOVERNMENT BUDGET, PRICE CONTROLS, TAX CHANGES, ECONOMIC PROGRAMS, PRICES, SUBSIDIES, PUBLIC ATTITUDES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 22 JAN 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974PORTO00185  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** PORT OF SPAIN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740124/aaaaawtv.tel  
**Line Count:** 114  
**Locator:** TEXT ON-LINE  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** POS 0175  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 10 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <10 SEP 2002 by WorrelSW>; APPROVED <10-Sep-2002 by MorefiRH>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** COMMENTS ON THE 1974 BUDGET SPEECH  
**TAGS:** ENRG, EFIN, PINT, TD  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005